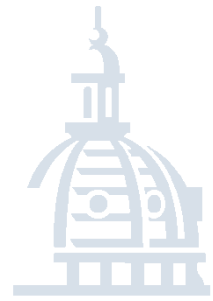


Fiscal Note

Fiscal Services Division



HF 367 – Probate and Trust Law Amendments (LSB1061HV)
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Fiscal Note Version – New

Description

House File 367 relates to probate and estate related laws and the Bill provides a new exemption from the State inheritance tax. The exemption begins with deaths occurring on or after July 1, 2016.

Background and Assumptions

Under current Iowa inheritance tax law, the inheritance of a stepchild of the decedent is exempt from Iowa inheritance tax, but an inheritance received by any children of stepchildren is not exempt. House File 367 exempts the lineal descendants of stepchildren of a decedent from inheritance tax.

To estimate the impact of exempting the inheritance of lineal descendants of stepchildren, the Department of Revenue examined a sample of inheritance tax returns filed in calendar years 2012 and 2013. The sample covered approximately 15.0% of all inheritance tax collections during the examined time frame. From the sample, 1.2% of the taxes due were traced to lineal descendants of stepchildren of the deceased. Based on the sample, the new inheritance tax exemption contained in the Bill is assumed to reduce State inheritance tax revenue 1.2%, beginning with deaths occurring on or after July 1, 2015.

Inheritance tax returns are due nine months after death and the tax is generally paid at that time. Therefore, there is not a full year's fiscal impact in the first year (FY 2016).

Fiscal Impact

Exempting the lineal descendants of stepchildren from the State inheritance tax will reduce net General Fund revenue by an estimated \$0.5 million in FY 2016, \$1.2 million in FY 2017, and \$1.5 million in FY 2018 and subsequent years.

The remaining provisions of the Bill are not expected to have a significant impact on government revenues or expenditures.

Source

Iowa Department of Revenue

/s/ Holly M. Lyons

March 10, 2015

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
